

Human Resource Management in the Enhancement Processes of Knowledge Management

Didi Sundiman

Management Department, Universitas Universal
Kompleks Maha Vihara Duta Maitreya, Sungai Panas, Batam 29456, Indonesia
sundiman.didi@gmail.com

Received: 2nd July 2017/ **Revised:** 18th August 2017/ **Accepted:** 19th August 2017

How to Cite: Sundiman, D. (2017). Human Resource Management in the Enhancement Processes of Knowledge Management. *Binus Business Review*, 8(3), 167-173
<http://dx.doi.org/10.21512/bbr.v8i3.3708>

ABSTRACT

This research explored Human Resource Management (HRM) in enhancement processes of knowledge management. This research explored how HRM practice enhanced the operational of knowledge management. Data were collected by a survey by interviewing 12 informants from Small and Medium Enterprise (SME). The results show that HRM practice gives initiative in the enhancement process of the knowledge management strategy applied to the company. It can be concluded that each sub-component of HRM affects the components of knowledge management, and HRM is highly influential and has a positive effect on quality management processes and vice versa in the work environment.

Keywords: Human Resource Management, knowledge management, SME

INTRODUCTION

The competitive advantage achieved by a company is an outcome of many factors. Those factors can be operation efficiency, cooperation, organizational structure, management style, Human Resource Management (HRM), social activity and cross cultural adaptation, and other company's phenomena (Ma, 1999a, 1999b). Moreover, the rapid changes in various aspects of human life encourage people to adapt to the environmental changes. Technological advances and socio-cultural character of the community are important factors in the process of adaptation.

In addition, companies in the global business become more culturally diverse. One of the reasons is that the companies are increasingly operating in a global environment (Sundiman & Idrus, 2015; Sundiman & Putra, 2016). Seeing the change in the nature of workforce in companies, researchers have argued that multiculturalism of HRM offers substantial benefits in the increased creativity, improved decision-making, and broader markets for products and services (Mueller, 2014).

Competitive environment in business grows very fast and dynamic. The dynamic of the competition builds a character of a different environment every time. These conditions encourage each company to prepare its employees well. Various strategies are applied to improve the quality of organizational management. Organizational readiness will encourage the company's ability to adapt to changes.

Moreover, the rapid change in various operational areas of the company is a result of the effects of globalization and the development of highly accelerated information technology. It makes companies need new strategies in dealing with everything to survive. The emphasis on the importance of human resource quality is one of the responses to address the changes. The efforts are required to improve and develop human resources (Chen & Huang, 2009; Kaufman, 2001). Related to that, the role of science becomes increasingly prominent. It is because all changes can be addressed appropriately by the knowledge. This means education has an important role in preparing qualified and competitive human resources (Sundiman & Mursidi, 2014).

Effective resource management will increase the efficiency of organizational operations. The effectiveness of human resource management becomes very important because human resources are one of the main resources for every company. Human factors with diverse characters create a different environment and management strategies for each company (Kaufman, 2001). Every company should be able to see the existing challenges and potential in its human resources. Good human resource governance will improve the quality of cooperation among employees of the company. Moreover, effective human resource governance encourages creativity in every problem-solving process. Creativity and work efficiency of human resources can improve the overall organizational performance.

In the knowledge-based era, it sets off paradigm shift that company needs a new concept of HRM strategy related to theoretical and practical approaches. To face the new competition era compared to the former age, the human resource managers need the knowledge and objective of the strategy change in their decision-making process (Vicente-Lorente & Zuniga-Vicente, 2008).

Knowledge has become something that determines the quality of human resources. Therefore, the acquisition and utilization need to be well managed in improving organizational performance. This step is seen as a strategy in facing global competition. Therefore, a method that can integrate that knowledge management within the framework of human resource development is needed (Wijayanti & Sundiman, 2017).

HRM is believed to have a close relationship with the process of creating, storing, transferring, and applying knowledge within the company. Effective human resource management can provide efficiency in every part of the company. Similarly, effective knowledge management provides organizational operational efficiency. Innovation and organizational performance are strongly supported by HRM and knowledge management. Knowledge management is evolved as an important and strategic part of HR management in many companies (Sundiman & Putra, 2016; Wijayanti & Sundiman, 2017).

Nonaka (1994) and Nonaka and Toyama (2003) said that knowledge belonged to the individual, but it could be utilized by the company while giving the development to the individual. Making the individual a learner is a necessary condition of an effort to improve the organizational performance through its integration with organizational management processes (Birasnav, 2014; Cohen & Olsen, 2015; Hung, Lien, Fang, & McLean, 2010; Lai, Hsu, Lin, Chen, & Lin, 2014). Companies need to develop themselves into learning companies because only in such conditions, the employees of the company can grow (Cheng, Niu, & Niu, 2014). In this condition, the survival and competitiveness of a company are largely determined by the intangible assets in human resources. Those assets can be skill and knowledge. It is no longer on the ability to acquire and convert raw materials into

finished goods (Chen & Huang, 2009). The success of the company is largely determined by its ability to operate in a rapidly changing and unpredictable environment by focusing on the creation and use of intellectual assets.

Companies continue to refine their concepts and strategies to stay in the knowledge-based competition. Each company must analyze the elements to detect changes that can create opportunities and threats for the company (Cvitanovic, Hobday, van Kerkhoff, & Marshall, 2015; Rist *et al.*, 2016). According to Kaufman (2001), companies need to develop effective ways to study its environment and implement strategic decisions to exploit the opportunities and face the threats occurring through structuring knowledge-based human resources management. The era of knowledge demands a change in the management of human resources. Human resources are an important asset for the development of every company to maintain its existence in the current era of open competition. Improving the ability of human resources to run the jobs better is necessary. Therefore, most companies have a regular training agenda to support the improvement of human resources (Silalahi & Sundiman, 2016).

Silalahi and Sundiman (2016) agreed that human resources should introduce new thinking in managing the company through the knowledge which it had. The role of competent human resources is needed to ensure the survival of the company. It is knowledge-based human resources and has the skills so that it can master the development of existing technology. Knowledge-based human resources development requires a learning process that supports both the learning process and the learning process in the company (Chen & Huang, 2009; Chen, Chang, Tseng, Chen, & Chang, 2013; Kaufman, 2001). To gain a competitive advantage, companies pay attention to the importance of professional intellect management that can be managed through knowledge management (Cohen & Olsen, 2015). Moreover, knowledge management focuses on the development and communication of knowledge that is the foundation of the learning process in the company, especially in the field of human resource management (Liyanage, Elhag, Ballal, & Li, 2009).

According to Collins and Clark (2003), knowledge management can accelerate learning to develop human resources. Thus, it can improve the competitiveness and respond to market changes proactively. Moreover, knowledge management can support the process of developing human resources through a more structured knowledge sharing process (Figueiredo, Pais, Monteiro, & Mónico, 2016). Appropriate approaches in the application of knowledge management rely heavily on the goals the company wants to achieve. It has become a consensus that the knowledge is the basis of competition and operational effectiveness of a company. The application of knowledge management will affect the company. Those can be time and cost savings, knowledge assets improvement, adaptability, productivity improvement,

and others.

In practice, HRM focuses on the three main concepts. First, it is the governance of the HRM in the company. Usually, the researchers take the data and see how the strategy and company policy in the existing HRM career management. Second, retention is the desire of employees of the company to remain in the company. In addition to the quality, every company is very concerned about the number of their employees. Companies will certainly be more stable if every employee works together until the end. Organizational human resources, the employees already understand the quality and work patterns, so they will find it easier to assess and solve the problems. Third, the human resources concept discusses education and job training for the employees in the company. Each company continues to improve the capacity and competence of its employees. Superior competence will determine the operational quality in the company. Moreover, the improvement of competitive strategies is usually done through training programs and further formal education. Continuous and qualified training programs can provide new knowledge and skills for the organizational human resources (Figueiredo *et al.*, 2016).

Many previous researchers have discussed the concept of knowledge management applied by the company. One of them is Pais and Santos (2014). They stated that the basic concepts of knowledge management included the process of developing an organizational culture based on knowledge, competitive organizational orientation, and application of knowledge in the formal and informal operations of the company. Organizational knowledge was regarded as the ultimate weapon for their business competitors. The company continued to strategize and act according to an organized system as well as solving arising problems. In the process of sharing knowledge, employees of the company will regularly attend seminars, and job training, and re-examine what has occurred in the activity. Furthermore, the company encouraged all employees to explore all the potential and creativity in solving problems in the future. On one occasion, the company was also expected to learn the success strategies taken by their competitors.

The company needed to motivate and encourage its employee by giving awards. Then, the employees should share information and discussions about the difficulties and new things they found. All employees had to understand their positions, roles, and functions in day-to-day operations well to maintain the best quality. Organizational knowledge could lead to better performance compared to its competitors. Moreover, the employees had to develop an active and positive interaction with a family-based in and out of office. Companies were encouraged sustainably to collect and develop knowledge to improve quality in the future.

Many concepts are developed regarding the role of human resource management in the process of organizational knowledge management such as

by Figueiredo *et al.* (2016), Pais and Santos (2014), Sundiman and Idrus (2015), and Wijayanti and Sundiman (2017). The previous research shows that HRM has an important role in the process of knowledge management in the company. Career governance in the company will support the creation of an operational culture of knowledge-based companies. The training process provided for human resources in the company can support the operational culture of knowledge-based companies. The active participation of employees of the company shows that they will actively support the operational culture of knowledge-based companies. Meanwhile, the career governance supports the spirit and orientation to compete with the other companies.

This research attempts to make substantial contributions to HRM and knowledge management literature. The researcher aims to provide the description of the intellectual structure of HRM in a searchable topic, reviews of the major identified topic in HRM systematically, and views of changes in this field over time. Moreover, the research describes how opportunities are for future research by applying HRM in knowledge management.

From the preliminary and literature review mentioned, the researcher makes a research statement that the application of HRM has an important influence on knowledge management process in the company. Then, career governance processes, employee retention rates, and ongoing training have the important influence in developing an organizational culture based on knowledge, positive competitiveness, and the application of knowledge in the formal and informal operations of the company. The research of HRM on knowledge management especially in SME becomes very important. SME has a significant role in economic growth in many developing countries including Indonesia (Sohail & Hoong, 2003).

METHODS

The research method used in this research is qualitative analysis approach. It is by doing interviews to examine case studies based on a model from previous researcher. Qualitative method is chosen because it can obtain deeper and more comprehensive results regarding the research problem. Qualitative research can also explore detailed information related to focus of the research that is difficult to obtain with quantitative analysis.

The research uses the instrument for data collection which is outlined by Figueiredo *et al.* (2016). Because of the available research on Indonesia SME regarding HRM practitioners, the researcher does direct face-to-face meetings which give detail and answers to 'what', 'how' and 'why'. This method is proper since the researcher has no control on the real-life events. Face-to-face and in-depth interviews are conducted with 12 HRM practitioners in SME. The companies are selected from Kalimantan

Tengah, Indonesia. These companies are from HRM practitioners in various sectors.

Practitioners are contacted by phone to determine their willingness to participate. Then, the interviews are arranged. The interview comprises of both closed-ended and open-ended questions that are asked to all participants. Table 1 shows the list of the questions.

Table 1 The Questions in the Interview

No	Question
1	How is the promotion process in the company where you work?
2	What is the main purpose of the career management process in your company?
3	What is the relationship between career governance process and personal development plan for employees in your company?
4	Are the employees given the opportunity to develop ideas and creativity in working?
5	Does your company allocate significant time and cost to provide training to improve employees' skills?
6	How is the training process designed to improve employee creativity in problem-solving and create competitive advantage in the future?
7	Does your company continue to encourage all employees to continue to explore all the potential and creativity in solving problems in the future?
8	Does your company learn about successful strategies run by competitors?

Participants and their companies represent a diverse group across various employment sectors and area. The sectors can be public services, education, carriers and transportation provider, and retailer service firms. The participants' job titles are various, but they are a manager, supervisor, or owner in the company. Some participants are generalists which are responsible for all areas of HR, whereas others work on groups.

The research method used in this research will test the proposition which has been mentioned. Moreover, this research will show how the influence of human resource management is in the process of knowledge management in the company.

RESULTS AND DISCUSSIONS

One of the most important aspects of HRM is the training of professional capabilities managed by the company on an ongoing basis. One of the informants taken in this research is a new company in education established for two years. This young company has a limited budget for the cost of developing the professional capacity of its employees because of its difficult financial condition. However, together with other public companies, it gets budgets from local governments in the larger organizational units in the

district. Several times a year, the employees attend training and other scheduled activities. Knowledge transfer activities are to convey the results of professional training conducted formally or informally in a joint coordination meeting. The impact and benefits of this training are enormous. The employees will gain new knowledge especially in unrelated fields to academic activities.

The research explores comprehensive information on how the concept and application of HRM are implemented by the company. The three basic components of human resource management are structured through a research instrument. The structured instruments explore how career management processes, resource retention, and professional training are conducted. The instrument also sees the structured information regarding how the three stages become initiatives for improving the quality of knowledge management in the company.

The informant states that the synchronization of career governance and personal development plan for employees is an absolute necessity in a company. Without synchronization in governance and development to, the results of a process cannot be obtained maximally. The relationship between career management and development plan is inseparable because it aims to get the ultimate goal.

Clear strategy in career governance will provide the guidance on how HR managers contribute to the availability of qualified human resources. In this case, a gradual process with appropriate guidance and steps can serve as an instrument to obtain the availability of competent human resources in the future.

Limitations and flexibility in related career governance address the changes in workloads. If organizational structure changes can occur at any time due to the interest of efficiency, the limits and flexibility surrounding the career governance must change. This is necessary for the implementation of business strategy so the company can run well.

Next, HRM is important in the company. It is divided into career management, retention, and professional skills training. Continuous training in accordance with the needs of employees of the company has an important role in the company. The collection of relevant information is needed to determine whether an company holds training. In the end, the management must ensure that the training process is truly effective in developing the competence and creativity of the employees (Sundiman & Putra, 2016).

Participation of employees can support the success of the company. The willingness to participate usually depends on what purpose the employees want to achieve by joining the company.

Employees are required to participate actively in contributing to the company. The contribution of the employees will be higher if the company can provide what the employees desire (Sundiman & Idrus, 2015). In other words, the willingness of employees to contribute to its workplace is strongly influenced

by the ability of the company to fulfill the goals and expectations of the employees. In addition, active participation can increase the spirit of employees to compete. Participation of employees also supports the creation, storage, and transfer of knowledge. Thus, it can improve the standards for other employees to be more active and organizational performance in the future (Figueiredo *et al.*, 2016). Then, the participation of employees will have a good effect for the employees themselves by knowing how much ability they have and establish good communication between employees of the company and leadership.

Employee retention is defined as an effort to retain employees in the company. Employee retention refers to various policies and practices that lead employees to stay in the company for longer periods. Thus, employee retention is intended for employees to stay longer to work. This is because the company has invested money and time in the process of employee recruitment. Therefore, the company wants its employees to stay longer in work, especially experts. The reason why many companies enjoy employee retention is because of promotional opportunities, recognition and rewards, regular training and assistance, and setting professional goals. Retention of employees has a very close relationship with work culture. If the work culture is created by the good work environment, the employees will feel comfortable in the company.

Retention is also linked to formal and non-formal training that is useful for improving the qualifications, knowledge, and experience. The company will continue to think how to design every job in the company so it can be interesting and challenging for employees to work on. Besides that, the company gives the employees opportunities to develop ideas and creativity in work. The benefit provided by the company to employees is an important concern for managers. The company has to create a comfortable working environment for employees. The company will apply strategies to create and maintain togetherness, cooperation, and collaboration of employees in all their work (Riveros & Tsai, 2011). Good employee retention will facilitate the process of knowledge management in the company.

The governance of the career management is strongly influenced by several things. Those significantly affect the knowledge-based work culture in place where the company is located, and the attitude and work behavior of employees to improve the competencies and knowledge (Othman, 2009). This also has an impact on the greater chance for the employees to improve their career.

Then, the orientation to compete within and outside of the company should be well preserved to form a healthy habit of competition between the employees and other companies. It is also influenced by the application of formal and informal knowledge that is continuously strived to achieve the goals of the company and personal goals of employees in improving the productivity of the organizational

performance.

The process of professional training also affects the work culture of the knowledge-based company. This is because, with the increasing qualifications, skills, and knowledge of employees of the company, it will improve the quality of the performance of the employees and form a professional work culture in the company. Similarly, the competitive orientation with better qualification will increase the competitive advantage of the company against other companies.

CONCLUSIONS

Knowledge management is divided into several things. Those are knowledge-based work culture, an orientation to compete, and the application of formal and informal science in work company. Working companies also have a close relationship with work culture. If the work culture created by the company shows a positive development for employees of the company, employees of the company will feel safe and comfortable in the work company. It also deals with the competing orientation of each employee of the work company, where in the company, it gives the widest opportunity to show creativity, convey, and realize positive ideas and ideas. It is aimed at attracting and challenging employees of the company to do it. The application of formal or informal knowledge owned in the company of work will make it easier for employees of the company in solving the problems. If the problem can be overcome, it will make the company employees feel comfortable in the work environment. This research shows that each sub-component of human resource management affects the components of knowledge management. It can be concluded that HRM is highly influential and has a positive effect on quality management processes and vice versa in work environment.

REFERENCES

- Birasnav, M. (2014). Knowledge management and organizational performance in the service industry: The role of transformational leadership beyond the effects of transactional leadership. *Journal of Business Research*, 67(8), 1622-1629. <https://doi.org/10.1016/j.jbusres.2013.09.006>
- Chen, C. J., & Huang, J. W. (2009). Strategic human resource practices and innovation performance — The mediating role of knowledge management capacity. *Journal of Business Research*, 62(1), 104-114.
- Chen, C. W., Chang, M. L., Tseng, C. P., Chen, B. C., & Chang, Y. Y. C. (2013). Critical human factor evaluation of knowledge sharing intention in Taiwanese enterprises. *Human Factors and Ergonomics in Manufacturing & Service Industries*, 23(2), 95-106. <https://doi.org/10.1002/hfm.20300>
- Cheng, H., Niu, M. S., & Niu, K. H. (2014). Industrial

- cluster involvement, organizational learning, and organizational adaptation: An exploratory study in high technology industrial districts. *Journal of Knowledge Management*, 18(5), 971-990. <https://doi.org/10.1108/JKM-06-2014-0244>
- Cohen, J. F., & Olsen, K. (2015). Knowledge management capabilities and firm performance: A test of universalistic, contingency and complementarity perspectives. *Expert Systems with Applications*, 42(3), 1178-1188. <https://doi.org/10.1016/j.eswa.2014.09.002>
- Collins, C. J., & Clark, K. D. (2003). Strategic human resource practices, top management team social networks, and firm performance: The role of human resource practices in creating organizational competitive advantage. *Academy of Management Journal*, 46(6), 740-751. <https://doi.org/10.2307/30040665>
- Cvitanovic, C., Hobday, A. J., van Kerkhoff, L., & Marshall, N. A. (2015). Overcoming barriers to knowledge exchange for adaptive resource management; the perspectives of Australian marine scientists. *Marine Policy*, 52, 38-44. <https://doi.org/10.1016/j.marpol.2014.10.026>
- Figueiredo, E., Pais, L., Monteiro, S., & Mónico, L. (2016). Human resource management impact on knowledge management: Evidence from the Portuguese banking sector. *Journal of Service Theory and Practice*, 26(4), 497-528. <https://doi.org/10.1108/JSTP-12-2014-0269>
- Hung, R. Y. Y., Lien, B. Y. H., Fang, S. C., & McLean, G. N. (2010). Knowledge as a facilitator for enhancing innovation performance through total quality management. *Total Quality Management & Business Excellence*, 21(4), 425-438. <https://doi.org/10.1080/14783361003606795>
- Kaufman, B. E. (2001). The theory and practice of strategic HRM and participative management: Antecedents in Early industrial relations. *Human Resource Management Review*, 11(4), 505-533. [https://doi.org/10.1016/S1053-4822\(01\)00051-1](https://doi.org/10.1016/S1053-4822(01)00051-1)
- Lai, Y. L., Hsu, M. S., Lin, F. J., Chen, Y. M., & Lin, Y. H. (2014). The effects of industry cluster knowledge management on innovation performance. *Journal of Business Research*, 67(5), 734-739. <https://doi.org/10.1016/j.jbusres.2013.11.036>
- Liyanage, C., Elhag, T., Ballal, T., & Li, Q. (2009). Knowledge communication and translation – A knowledge transfer model. *Journal of Knowledge Management*, 13(3), 118-131. <https://doi.org/10.1108/13673270910962914>
- Ma, H. (1999a). Anatomy of competitive advantage: A SELECT framework. *Management Decision*, 37(9), 709-718. <https://doi.org/10.1108/00251749910299129>
- Ma, H. (1999b). Creation and preemption for competitive advantage. *Management Decision*, 37(3), 259-267. <https://doi.org/10.1108/00251749910264497>
- Mueller, J. (2014). A specific knowledge culture: Cultural antecedents for knowledge sharing between project teams. *European Management Journal*, 32(2), 190-202. <https://doi.org/10.1016/j.emj.2013.05.006>
- Nonaka, I. (1994). A dynamic theory of organizational knowledge creation. *Organization Science*, 5(1), 14-37. <https://doi.org/10.1287/orsc.5.1.14>
- Nonaka, I., & Toyama, R. (2003). The knowledge-creating theory revisited: Knowledge creation as a synthesizing process. *Knowledge Management Research & Practice*, 1(1), 2-10. <https://doi.org/10.1057/palgrave.kmrp.8500001>
- Othman, A. E. A. (2009). Strategic integration of human resource management practices: Perspectives of two major Japanese electrical and electronics companies in Malaysia. *Cross Cultural Management: An International Journal*, 16(2), 197-214. <https://doi.org/10.1108/13527600910953937>
- Pais, L., & Santos, N. R. (2014). Knowledge-sharing, cooperation, and personal development. In K. Kraiger, J. Passmore, N. R. dos Santos, & Sigmarlvezzi (Eds.), *The Wiley Blackwell handbook of the psychology of training, development, and performance improvement* (pp. 278-302). UK: John Wiley & Sons, Ltd.
- Rist, L., Felton, A., Mårald, E., Samuelsson, L., Lundmark, T., & Rosvall, O. (2016). Avoiding the pitfalls of adaptive management implementation in Swedish silviculture. *Ambio*, 45(2), 140-151. <https://doi.org/10.1007/s13280-015-0750-9>
- Riveros, A. M. M., & Tsai, T. S. T. (2011). Career commitment and organizational commitment in for-profit and non-profit sectors. *International Journal of Emerging Sciences*, 1(3), 324-341.
- Silalahi, H. C., & Sundiman, D. (2016). Knowledge sharing sebagai sumber inovasi dan keunggulan bersaing pada Usaha Kecil Menengah (UKM) sektor bengkel otomotif (Studi kasus CV. Ariron Jaya Teknik). *Profit (Jurnal Penerapan Ilmu Manajemen Dan Kewirausahaan)*, 1(1), 74-93.
- Sohail, M. S., & Hoong, T. B. (2003). TQM practices and organizational performances of SMEs in Malaysia: Some empirical observations. *Benchmarking: An International Journal*, 10(1), 37-53. <https://doi.org/10.1108/14635770310457539>
- Sundiman, D., & Mursidi, A. (2014). Phenomenon on the level of lecturer education, in quality of education and quality of graduates. In *Proceeding of 4th International Conference on Education, Research and Innovation IPEDR* (Vol. 81).
- Sundiman, D., & Idrus, M. (2015). Confucianism ethic, Guanxi, and acculturation role on the knowledge transfer process of Chinese descendant in Indonesia. *International Journal of Knowledge Management Studies*, 6(3), 261. <https://doi.org/10.1504/IJKMS.2015.072712>
- Sundiman, D., & Putra, S. S. (2016). Knowledge management role on creating service excellence: Case study on building materials supermarket in the city of Sampit - Indonesia. In *Proceedings of the 11th International Knowledge Management in Organizations Conference on The Changing Face of Knowledge Management Impacting Society* (p. 53:1-53:6). New York.

- Vicente-Lorente, J. D., & Zuniga-Vicente, J. A. (2008). Research on the antecedents and outcomes of strategic change: Past, present and future challenges. In A. L. Domínguez (Ed.), *Global management: Strategy, challenges and uncertainties*. New York: Nova Science Publishers, Inc.
- Wijayanti, D. P., & Sundiman, D. (2017). Pengaruh knowledge management terhadap kinerja karyawan: Studi empiris pada PT. SMS Kabupaten Kotawaringin Timur [The influence of knowledge management toward employee performance: An empirical study at PT. SMS Korawaringin Timur district]. *DeReMa (Development Research of Management): Jurnal Manajemen*, 12(1), 69-85. <https://doi.org/10.19166/derema.v12i1.243>